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FM AMEMBASSY TEL AVIV  
TO RUEHC/SECSTATE WASHDC PRIORITY 8710  
RHEHAAA/WHITE HOUSE WASHDC PRIORITY  
RHEHNSC/WHITE HOUSE NSC WASHDC PRIORITY  
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RUEAHQA/HQ USAF WASHINGTON DC PRIORITY  
RUEADWD/DA WASHDC PRIORITY  
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RHEFDIA/DIA WASHINGTON DC PRIORITY  
RUEKJCS/Joint STAFF WASHDC PRIORITY  
RUEHAD/AMEMBASSY ABU DHABI PRIORITY 4474  
RUEHAS/AMEMBASSY ALGIERS PRIORITY 1081  
RUEHAM/AMEMBASSY AMMAN PRIORITY 4840  
RUEHAK/AMEMBASSY ANKARA PRIORITY 5272  
RUEHLB/AMEMBASSY BEIRUT PRIORITY 4484  
RUEHEG/AMEMBASSY CAIRO PRIORITY 2853  
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 5245  
RUEHLO/AMEMBASSY LONDON PRIORITY 2106  
RUEHFR/AMEMBASSY PARIS PRIORITY 0331  
RUEHRB/AMEMBASSY RABAT PRIORITY 9076  
RUEHRO/AMEMBASSY ROME PRIORITY 6565  
RUEHRH/AMEMBASSY RIYADH PRIORITY 1487  
RUEHTU/AMEMBASSY TUNIS PRIORITY 5578  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 7550  
RUEHJI/AMCONSUL JEDDAH PRIORITY 0406  
RUEHJM/AMCONSUL JERUSALEM PRIORITY 0579  
RHMFSS/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RHMFSS/COMSOCEUR VAIHINGEN GE PRIORITY  
RHMFIUU/COMSIXTHFLT PRIORITY

UNCLAS TEL AVIV 002282

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM  
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA  
HQ USAF FOR XOX  
DA WASHDC FOR SASA  
JOINT STAFF WASHDC FOR PA  
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR  
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD  
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD  
LONDON ALSO FOR HKANONA AND POL  
PARIS ALSO FOR POL  
ROME FOR MFO

SIPDIS  
E.O. 12958: N/A  
TAGS: OPRC KMDR IS

SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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Mideast

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Key stories in the media:  
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All media continued to banner the global financial crisis and its repercussions in Israel. Maariv reported that if the banks' cash flow continues to deteriorate and stock exchange collapses go on, the Bank of Israel intends to inject billions of shekels into banks and to create a protection net for pension savings.

Ha'aretz reported that fallout from the mounting market panic was palpable in Israeli politics too, helping Labor Party chair and DM Ehud Barak to draw closer to forming a government with FM and prime minister-designate Tzipi Livni. Barak stated Monday that during a financial crisis, the most urgent priority is to deal with the situation. In this way Barak was seen as lowering Labor's demands for increased social spending in next year's budget. However, at the end of a meeting he held with Histadrut labor federation chair Ofer Eini and the president of the Manufacturers Association, Shraga Brosh, Barak said he still thinks the budget can be expanded to increase old-age pensions, spending on higher education, and certain security priorities. Ha'aretz reported that there has been no real change in Labor's demands from Kadima. Yesterday Likud Chairman Benjamin Netanyahu, a free-market proponent, called for state intervention in the financial market, adding that the only solution at this time is holding new elections.

The Jerusalem Post reported that yesterday outgoing PM Ehud Olmert clarified that the views he expressed in his interview with Yediot last week were his own, and were not binding on prime minister-designate Tzipi Livni.

Ha'aretz reported that security officials have warned that the time for making a deal for the release of Gilad Shalit is running out. The officials told Ha'aretz that the more time passes, the more things can go wrong and the greater the danger that an opportunity will be missed to bring Shalit home. The media reported on a rally in Tel Aviv's Rabin Square last night that begged Shalit to "forgive" the thousands of participants in the spirit of Yom Kippur. Ha'aretz quoted Hamas leader Khaled Mashal as saying yesterday that the negotiations for Shalit's release are stalled because of Israel, which he said constantly reneges on its commitment.

Leading media quoted NATO Secretary-General Jaap de Hoop Scheffer as saying yesterday that he was not certain that the world can stop Iran from building a nuclear bomb. Scheffer was also quoted as saying that he would never expect Israel to abandon its own, "supposed nuclear arsenal." The Jerusalem Post quoted senior Israeli defense officials as saying that Scheffer's remarks regarding Israel's right to maintain a nuclear capability set a "precedent" and sent a message to Iran that NATO stands by Israel.

The Jerusalem Post reported that Israel is in advanced talks with the UN over a potential withdrawal of IDF troops from the northern section of the split town of Ghajar, which Israel has occupied since the end of the Second Lebanon War in 2006.

Ha'aretz reported that the historic Deir al-Sultan monastery on the roof of the Church of the Holy Sepulcher in Jerusalem is in danger of collapse. The newspaper reported that a long-standing dispute between the Ethiopian and Coptic Churches is halting renovation efforts.

Ha'aretz quoted diplomatic sources as saying that Olmert will seek today to persuade Russian President Dmitry Medvedev not to sell weapons to Iran and Syria, but with little chance of success. Jerusalem is particularly concerned that sales of Russia's S-300 anti-aircraft missile system could threaten Israel's air superiority over both states. And if Iran were to receive these missiles, it would be able to protect its nuclear sites more effectively, making an aerial strike on these sites more difficult. However, citing an Interfax news agency wire report yesterday, Ha'aretz cited a denial by Rosoboronexport, Russia's arms export monopoly, that it plans to deliver the S-300 missiles to either Iran or Syria. Yediot reported that if Israel fails to prevent the sale of missiles to Iran, Turkey will open its territory to exercises in which Israeli forces will practice operating a similar system.

Ha'aretz reported that the Labor Party refuses to make construction in settlements an issue in its coalition agreement with Kadima.

Makor Rishon-Hatzofe reported that yesterday Tzipi Livni asked Quartet envoy Tony Blair to stabilize financial conditions in the PA.

Yediot reported on IDF anger over the participation of private advisers in the defense establishment's debates over assessments of

the security situation.

Israel Radio reported on the illegal transfer of goods from Israel to the PA - a potential source of terrorism. Ha'aretz quoted Talal al-Karnawi, the Mayor of the Negev Bedouin town of Rahat, as saying this week that the Bedouin living in his community are worried by the influx of 4,000 Palestinians from the West Bank and Gaza Strip who are living there illegally and could plan a terror attack.

Major media reported that yesterday Yemeni President Ali Abdullah Saleh announced the dismantling of a "terrorist cell" with alleged links to Israeli intelligence.

Yediot reported that the arrest of cabinet minister and former Shin Bet head Ami Ayalon in the Netherlands in May at the request of an anarchist group was averted by Israel's appeal to the Dutch government.

The media reported that yesterday former Shas leader Aryeh Deri dropped out of the race for Jerusalem mayor, deciding not to appeal Thursday's court decision rejecting his request to run. Deri had hoped the court would overlook the moral turpitude involved in his bribery conviction in 2000. Ha'aretz reported that Knesset Member and candidate for mayor of Jerusalem Meir Porush will try to close deals with the people supposed to be his ultra-Orthodox partners: Shas, Degel Hatorah, and Agudat Yisrael -- the latter two currently forming the United Torah Judaism party.

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Mideast:  
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Summary:  
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Gershon Baskin, co-CEO of the Israel/Palestine Center for Research and Information, wrote in the conservative, independent Jerusalem Post: "If we will not find the way to allow the Palestinians to gain their freedom and to end our occupation over them, in the not too distant future, we will be atoning for our loss of our own freedom in our own state and wondering how we missed the opportunity for peace."

Block Quotes:  
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"Between the Jewish New Year and Yom Kippur"

Gershon Baskin, co-CEO of the Israel/Palestine Center for Research and Information, wrote in the conservative, independent Jerusalem Post (10/7): "After 20 years of failing to convince Israeli governments to accept the two-state solution, the Palestinian national movement is in the process of reviewing and renewing its political agenda.... The more simplistic version or 'sound bite' of the new vision is the 'one-state solution'.... What the supporters of this plan fail to understand is that the only hope for peace in this land has always been based on the concept of partition. This is the only way to move beyond an existential conflict of either 'us or them'.... If the Israeli-Palestinian conflict moves back into existential terms, then Israel/Palestine turns into Bosnia of the 1990s.... Israelis and Palestinians are not ready now or at any time in the foreseeable future to share the same national home. We both need a physical territory in which we can claim sovereignty and express our own national identity. Olmert's soul searching of the [Jewish] new year should be a collective soul searching in which we all reach the same conclusions. If we will not find the way to allow the Palestinians to gain their freedom and to end our occupation over them, in the not too distant future, we will be atoning for our loss of our own freedom in our own state and wondering how we missed the opportunity for peace."

CUNNINGHAM